

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**IN THE MATTER OF THE VERIFIED PETITION OF)
INDIANA MICHIGAN POWER COMPANY FOR)
AUTHORITY TO ADJUST ITS RETAIL ELECTRIC)
RATES THROUGH ITS CAPACITY SETTLEMENT)
RIDER CONSISTENT WITH THE COMMISSION'S)
ORDER IN CAUSE NO. 44075)**

CAUSE NO. 44422

TESTIMONY OF

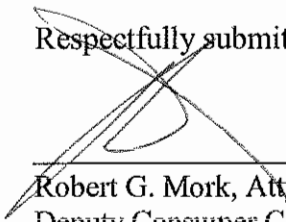
MICHAEL D. ECKERT – PUBLIC'S EXHIBIT NO. 1

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

FEBRUARY 17, 2014

Respectfully submitted,



Robert G. Mork, Atty. No. 19146-49
Deputy Consumer Counselor, Federal Affairs

CERTIFICATE OF SERVICE

This is to certify that a copy of the *OUCC Testimony of Michael D. Eckert* has been served upon the following parties of record in the captioned proceeding by electronic service on February 17, 2014.

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TESTIMONY OF OUCC WITNESS MICHAEL D. ECKERT
CAUSE NO. 44422
INDIANA MICHIGAN POWER COMPANY

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Michael D. Eckert and my business address is 115 W. Washington
3 St., Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor (OUCC) as a
6 Senior Utility Analyst in the Electric Division.

7 **Q: Please describe your educational background and experience.**

8 A: I graduated from Purdue University in West Lafayette, Indiana in December
9 1986, with a Bachelor of Science degree, majoring in Accounting. I am licensed
10 in the State of Indiana as a Certified Public Accountant. Upon graduation, I
11 worked as a Field Auditor with the Audit Bureau of Circulation in Schaumburg,
12 Illinois until October 1987. In December 1987, I accepted a position as a Staff
13 Accountant with the OUCC. In May 1995, I was promoted to Principal
14 Accountant and in December 1997, I was promoted to Assistant Chief
15 Accountant. As part of the OUCC's reorganization, I accepted the position of
16 Assistant Director of its Telecommunications Division in July 1999. From
17 January 2000 through May 2000, I was the Acting Director of the
18 Telecommunications Division. As part of an OUCC reorganization, I accepted a
19 position as a Senior Utility Analyst. As part of my continuing education, I have

1 attended the National Association of Regulatory Utility Commissioners'
2 (NARUC) two-week seminar in Lansing, Michigan. I attended NARUC's Spring
3 1993 and 1996 seminars on system of accounts. In addition, I attended several
4 CPA sponsored courses and the Institute of Public Utilities Annual Conference in
5 December 1994 and December 2000.

6 **Q: Have you previously testified before the Indiana Utility Regulatory**
7 **Commission (Commission)?**

8 A: Yes.

9 **Q: Please describe the review and analysis you conducted in order to prepare**
10 **your testimony.**

11 A: I read Indiana Michigan Power Company's (hereafter Petitioner or I&M) petition,
12 prefiled testimony, prefiled supplemental testimony, exhibits and workpapers in
13 this proceeding. I also examined this Commission's Order in Cause No. 44075. I
14 reviewed Petitioner's responses to OUCC data requests and pertinent sections of
15 Title 8 of the Indiana Code and Title 170 of the Indiana Administrative Code. I
16 participated in meetings and conference calls with other OUCC staff members in
17 developing issues identified in this Cause.

II. PURPOSE OF TESTIMONY

18 **Q: What is the purpose of your testimony?**

19 A: I will discuss the Commission's February 13, 2013 Order in Cause No. 44075 and
20 Petitioner's requested relief in this proceeding. Petitioner has requested:

- 21 1) Approval of I&M's requested CSR Adjustment including the reconciliation of
- 22 the actual capacity settlement payments;
- 23 2) Approval of I&M's forecasted capacity settlement payments/receipts; and
- 24 3) Other relief as appropriate.

III. CAUSE NO. 44075 ORDER

1 **Q: Did the Commission establish a Capacity Settlement Rider (CSR) for I&M in**
2 **its February 13, 2013 Order in Cause No. 44075?**

3 A: Yes. The Commission found capacity settlement payments to be variable and
4 authorized I&M to establish a Capacity Settlement Rider. Specifically, it stated:

5 In order to address the variability in the capacity settlement
6 payments, we adopt I&M's proposal to periodically adjust I&M's
7 rates to match the projected credits received or payments made
8 with actual levels pursuant to Ind. Code § 8-1-2-42(a).¹

9 **Q: In its Order, what reasons given by I&M were cited by the Commission for**
10 **establishing the CSR?**

11 A: I&M's witness Ms. McLavy identified three changes driving reductions in the
12 capacity settlements: (1) the retirement of OPCo's Sporn Unit 5, (2) the merger of
13 CSP into OPCo, and (3) the completion of the Dresden Gas Plant as an addition to
14 APCo capacity.

15 **Q: Has anything else changed that has impacted the capacity settlement**
16 **payments?**

17 A: Yes. AEP has dissolved the AEP System Pool Agreement effective January 1,
18 2014, which results in zero capacity payments/receipts for Calendar Year 2014.
19 As explained below, AEP's dissolution of the Pool results in a large proposed rate
20 increase for I&M's retail customers through the CSR.

21 **Q: Did the Commission make any other findings regarding the CSR tracker?**

22 A: Yes. The Commission made the following findings:

- 23 1) The initial level of revenues for capacity settlement is \$38.5 million for
24 total company,
25 2) Capacity Tracker factors shall be established annually based upon a
26 projection of capacity payments/receipts to be tracked;

¹ Cause Number 44075, Order, page 58.

- 1 3) Include a reconciliation of actual capacity payments/receipts for the prior
2 year;
3 4) I&M shall file compliance tariffs reflecting this initial tracker recovery; and
4 5) Within nine months after the implementation of the initial capacity tracker,
5 I&M shall file a petition and supporting testimony and exhibits for
6 approval to implement the first annual adjustment to the Capacity Tracker.

IV. SUPPORTING INFORMATION

7 **Q: Did I&M provide information to support the “Current Month Total**
8 **Capacity Charges”?**

9 A: Yes. In response to an OUCC data request, I&M provided copies of its
10 Interchange Power Statements (IPS) that support the numbers in Exhibit JLB-1.

11 **Q: Did the Company provide information to support the Forecasted Bridge**
12 **Period IN Jurisdictional Capacity Settlement Charges (Receipts) in Table 1**
13 **of Marc Lewis’s testimony?**

14 A: Yes. I&M provided copies of its Interchange Power Statements (IPS) that support
15 the estimated numbers in Table 1 of Marc Lewis’s testimony.

16 **Q: Did you ask the Company to provide supporting information for “Forecasted**
17 **Billing Energy” and “Test Year CP/kwh Ratio” as depicted on NAH-2?**

18 A: Yes. The Company provided information (workpapers and calculations) to
19 support those figures in response to OUCC data request set 1, questions 8 and 9.

V. CSR RIDER AND INITIAL RATES

20 **Q: Is Petitioner’s proposed retail rate increase calculated using actual and**
21 **forecasted data in this CSR Rider proceeding?**

22 A: Yes. Petitioner has utilized actual and forecasted data in the calculation of its
23 proposed retail rate increase.

24 **Q: What revenue is I&M requesting to recover in this proceeding?**

25 A: In this proceeding, I&M is requesting revenue to recover the following amounts:

- 26 1) The forecasted underrecovery of capacity settlement payments for calendar
27 year 2014. (\$24,870,514);

1 2) The forecasted under recovery for the bridge period (November 2013 and
2 December 2013) (\$3,652,326); and

3 3) The underrecovery for the period February 28, 2013 through October 31, 2013
4 (\$18,320,282).

5 **Q: What is the total amount of capacity settlement payments/receipts the**
6 **company is seeking to recover in its initial CSR filing?**

7 A: I&M is seeking additional revenue of \$46,843,122 in its initial CSR filing (See
8 Petitioner's Exhibit NAH-1). This represents a 4.7% rate increase for residential
9 customers using 1,000 kWh. AEP's dissolution of the Pool contributes
10 substantially to the large proposed rate increase.

11 **Q: Is the OUCC concerned about the large rate increase proposed for Indiana**
12 **Michigan customers?**

13 A: Yes. The OUCC is concerned about the large increase for consumers in this
14 initial filing. This is particularly true since this proposed rate increase comes on
15 the heels of the 16.25% rate increase experienced by I&M residential customers
16 from July 1, 2012 to July 1, 2013, as calculated in the Commission's 2013
17 Residential Bill Survey (Table 3, based on 1,000 kwh consumption), Given the
18 large rate impacts and the role played by AEP's dissolution of the Pool, the
19 OUCC recommends the Commission spread the reconciliation amount and the
20 forecasted underrecovery for the bridge period (\$21,972,608) over a three (3) year
21 period.

22 **VI. FORECASTED AMOUNT**

23 **Q: Did you ask Petitioner to provide information regarding the 2014 Forecasted**
24 **Bridge Period Indiana Jurisdictional Capacity Settlement Charges as**
25 **depicted in Table 2 of Marc Lewis's testimony?**

1 A: Yes. Petitioner stated that I&M will not receive any capacity settlement
2 payments/receipts for the calendar year 2014 due to AEP's dissolution of the
3 Pool. Therefore, it did not have any supporting documentation or calculations.

4 **Q: Do you agree with I&M that there will be no capacity payments/receipts**
5 **during the calendar year 2014?**

6 A: Yes. AEP's dissolution of the Pool Agreement has eliminated such
7 payments/receipts. Therefore, I&M now offers all generation into the market and
8 it is up to PJM to accept the offer and dispatch the power.

VII. RECOMMENDATIONS

9 **Q: What does the OUCC recommend?**

10 A: The OUCC recommends the Commission:

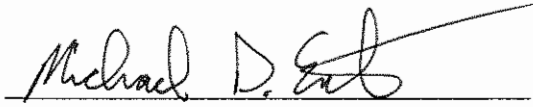
- 11 (1) Require I&M to spread the reconciliation amount and the forecasted
12 underrecovery for the bridge period amount over a three (3) year period,
13 (2) Require I&M to recalculate its CSR factors with the adjusted
14 reconciliation amount and the forecasted underrecovery for the bridge
15 period amount, and
16 (3) Approve I&M's adjusted CSR factors subject to the conditions described
17 in items (1) and (2).

18 **Q: Does this conclude your testimony?**

19 A: Yes, it does.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

A handwritten signature in black ink, appearing to read "Michael D. Eckert", written over a horizontal line.

By: Michael D. Eckert
Indiana Office of
Utility Consumer Counselor

2-17-14
Date: